

TOWN OF MAMMOTH LAKES
California

Single Audit Report

**Year Ended
June 30, 2011**

TOWN OF MAMMOTH LAKES
Single Audit Report

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Honorable Mayor
Members of the Town Council
Town of Mammoth Lakes, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mammoth Lakes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Town council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 21, 2011

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And On The Schedule of Expenditures of Federal Awards

Honorable Mayor
Members of the Town Council
Town of Mammoth Lakes, California

Compliance

We have audited the Town of Mammoth Lakes' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

Honorable Mayor
Members of the Town Council
Mammoth Lakes, California

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes as of and for the year ended June 30, 2011, and have issued our report thereon dated October 17, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, members of the Town council, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 17, 2011

TOWN OF MAMMOTH LAKES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Airport Improvement Program		
Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP 18 Project #03-06-0146-18	20.106	\$ 26,244
FAA Grant: AIP 19 Project #03-06-0146-19	20.106	32,023
FAA Grant: AIP 21 (Annual Entitlement)	20.106	150,000
FAA Grant: AIP 23 Project #03-06-0146-23	20.106	141,578
Highway Planning & Construction (Federal-Aid Highway Program)		
Lake Mary Road TE Kiosks (ARRA)		
Project ESPL-5439(023)	ARRA 20.205	25,173
Lakeview Road Project #HSAIPL-5439 (021)	20.205	59,061
Lakeview Road from Lakeview Boulevard to Lake		
Mary Road Bikelane Project #HSAIPL-5439 (021)	20.205	145,145
Federal Safe Routes to School (SRTS) Program		
Sierra Park Gap Project #SRTS-5439 (023)	20.205	38,138
U.S. DEPARTMENT OF AGRICULTURE		
Direct Award: US Department of Agriculture,		
Passed through the USDA Forest Service,		
Lake Mary Bike Road Path Enhancements at		
Twin Lakes Trail (ARRA) Project ESPL-5439 (023)	ARRA 20.205	165,511
Twin Lakes Trail Project ESPL-5439	20.205	221,817
Passed through the State of California, Dept. of Transportation (Caltrans)		
USFS Lands Way Funding Project #10-CSd-10059702-093	20.205	9,077
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)		
Community Development Block Grants/State's Program	Cluster	
Passed through the State of California,	<u>14.228</u>	
Department of Housing and Community Development		
Community Development Block Grant (CDBG) Program		
CDBG Standard Agreement #09-STAR-6383	ARRA 14.255	94,930
U.S. DEPARTMENT OF JUSTICE (DOJ)		
Public Safety Partnership and Community Policing Grants (COPS)		
Direct Award: COPS Hiring Recovery Program (CHRP)		
Grant #2009RKWX0130	ARRA 16.710	142,822
Justice Assistance Grant	16.804	<u>1,046</u>
Total Expenditures of Federal Awards		<u>\$ 1,252,565</u>

TOWN OF MAMMOTH LAKES
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note A - Reporting Entity Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Mammoth Lakes, California (Town) under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position or changes in net assets of the Town.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Federal grant awards were primarily passed through the State of California, as reported on the Schedule, with direct awards indicated.

(3) The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information, and the Office of Management and Budget's CFDA.

(4) There were no subrecipients of federal awards this year.

TOWN OF MAMMOTH LAKES
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|----------------------|
| 1. Type of auditor's report issued: | <i>Unqualified</i> |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | <i>No</i> |
| b. Significant deficiencies identified not
considered to be material weaknesses? | <i>None Reported</i> |
| 3. Noncompliance material to financial
statements noted? | <i>No</i> |

Federal Awards

- | | |
|--|----------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | <i>No</i> |
| b. Significant deficiencies identified not
considered to be material weaknesses? | <i>None Reported</i> |
| 2. Type of auditor's report issued on compliance
for major programs: | <i>Unqualified</i> |
| 3. Any audit findings disclosed that are required
to be reported in accordance with OMB Circular A-133? | <i>No</i> |
| 4. Identification of major program: | |
| <u>CFDA Number</u> <u>Name of Federal Program or Cluster</u> | |
| 20.205 U.S. DOT - Highway Planning & Construction | |
| 5. Dollar threshold used to distinguish
between Type A and Type B programs? | <i>\$300,000</i> |
| 6. Auditee qualified as low-risk auditee
under OMB Circular A-133, section 510(a) | <i>yes</i> |

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year:	None Reported
Prior Year:	None Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year:	None Reported
Prior Year:	None Reported

TOWN OF MAMMOTH LAKES
California

Annual Financial Report

June 30, 2011

TOWN OF MAMMOTH LAKES

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95821

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Town of Mammoth Lakes, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mammoth Lakes' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the Town of Mammoth Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor
Members of the City Council
Town of Mammoth Lakes, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, and budgetary comparison information on pages 46 through 47, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mammoth Lakes' financial statements as a whole. The schedule of funding progress-defined benefit pension plans, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of funding progress-defined benefit pension plans were provided to the Town of Mammoth Lakes by the California Public Employees' Retirement System Actuarial Office and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 21, 2011



Finance Department (760) 934-8989
P.O. Box 1609, Mammoth Lakes, CA 93546

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Town of Mammoth Lakes financial performance for the fiscal year ended June 30, 2011 provides an analysis on the Town's overall financial position, and municipal operations. It is intended to assist readers in evaluating the Town's finances, and provides discussion of significant changes that occurred in various funding sources, including any variances from the approved budget. In addition, it describes the activities during the year related to capital assets and long-term debt. We end our discussion and analysis with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on the financial position or operations. Please read it in conjunction with the Town's financial statements.

The Statement of Net Assets and the Statement of Activities:

A frequent question asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that answers this question. These statements include all assets and liabilities of the Town using the accrual basis of accounting; this is similar to the accounting used by most private-sector companies.

These two statements report the Town's net assets and changes to the assets. Net assets are the difference between assets and liabilities, which is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are an indication of whether its financial health is improving or deteriorating. It is important to remember that this measure of financial health is reviewing all of the Town's assets, including street infrastructure, storm drainage, and street lights; these assets are valuable to the Town, but they are not always available for immediate sale to fund other Town priorities. Furthermore, the depreciation of these assets is recorded as an expense in the Statement of Activities and can be confusing if the goal of the reader is to follow the flow of cash and expenditures. That is why the Fund Financial Statements continue to be an important part of the Town's financial story, and are presented after the Statement of Activities report.

In the Statement of Net Assets, and the Statement of Activities, the Town's Activities are separated as follows:

Governmental activities – Almost all of the Town's services are reported in this category, including the general administration (town manager, town clerk, personnel, finance etc.), police protection, public works, tourism and recreation, and community development. Transient occupancy tax, sales tax, property taxes, other taxes, interest, grants,

The Statement of Net Assets and the Statement of Activities: *(continued)*

intergovernmental revenue and service charges finance these activities. The Statement of Net Assets also includes the value of capital assets (net of depreciation, future debt payments and the assets and liabilities of the internal service funds); while the Statement of Activities includes depreciation expense and some of the activity in the internal service funds on the accrual basis. These are significant differences from the Fund Financial Statements.

Business-type activities – The Town's Airport charges fees to customers to cover all or most of the cost of certain services that the Airport provides. The Town also operates the Long Valley Mineral Pit as a business-type activity charging customers for the cost of services (dumping of clean materials).

Fund Financial Statements:

The fund financial statements provide detailed information about the most significant funds and other funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. The Town's two types of funds are governmental and proprietary.

Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows in and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. There is a reconciliation of the significant differences between the Governmental Funds Balance Sheet and the Statement of Net Assets of Governmental Activities. These differences are unavoidable, because by definition the reports are looking at different financial activity. Both reports provide a different perspective on the Town's finances that are considered beneficial to financial statement users.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way as in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (Airport & Long Valley Mineral Pit) are the same as the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as a Statement of Cash Flows.

Reporting the Town's Fiduciary Responsibilities:

The Town is the trustee, or fiduciary, for certain funds held on behalf of developers and assessment districts. The Town's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. The fiduciary activities have been excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the Town as a Whole

Net Assets: A condensed presentation of the Town's net assets shown in the following table totals \$88,754,992 as of June 30, 2011. The Town had a decrease of \$47,978,347 in total net assets compared to the prior year of, of which \$40,800,696 relates to the judgment awarded to Mammoth Lakes Land Acquisition (MLLA).

Town of Mammoth Lakes Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Current and other assets	27,105,134	28,625,472	656,641	974,087	27,761,775	29,599,559
Internal Loans	4,988,047	5,078,371	(4,988,047)	(5,078,371)	-	-
Capital assets, net of depreciation	97,186,322	103,679,129	11,259,217	12,409,148	108,445,539	116,088,277
Total assets	129,279,503	137,382,972	6,927,811	8,304,864	136,207,314	145,687,836
Long-term debt outstanding	3,821,654	5,660,434	230,873	250,214	4,052,527	5,910,648
Other liabilities	43,281,115	2,963,832	118,680	80,017	43,399,795	3,043,849
Total liabilities	47,102,769	8,624,266	349,553	330,231	47,452,322	8,954,497
Net assets:						
Invested in capital assets, Net	93,901,672	98,655,060	11,076,138	12,182,273	104,977,810	110,837,333
Restricted	206,259	783,263	-	-	206,259	783,263
Unrestricted	(11,931,197)	29,320,383	(4,497,880)	(4,207,640)	(16,429,077)	25,112,743
Total net assets	82,176,734	128,758,706	6,578,258	7,974,633	88,754,992	136,733,339

By far the largest portion of the net assets reflects the Town's investment in capital assets (e.g., land, buildings, streets, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; and are therefore not available for future spending.

General Fund Budgetary Highlights:

General fund revenue (taxes and assessments) ended the year strong and exceeded final budget expectations significantly. Transient occupancy taxes (TOT) exceeded budget expectations by 17.2% or \$1,917,131. Sales tax exceeded budget projections by 5% or \$89,022. Property tax missed budget projections by 1% or \$37,861.

General Government Functions:

The revenue and expenditures for the governmental and business-type activities are summarized in the following table.

	Governmental Activities		Business-type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenue:						
Program revenue:						
Charges for services	1,027,573	2,574,270	512,448	557,667	1,540,021	3,131,937
Operating grants and contributions	2,890,566	4,824,648	-	-	2,890,566	4,824,648
Capital grants and contributions	3,009,946	-	366,969	777,097	3,376,915	777,097
General revenue:						
Transient occupancy tax	11,195,705	10,499,794	-	-	11,195,705	10,499,794
Sales tax	2,725,215	2,567,982	-	-	2,725,215	2,567,982
Property tax	3,329,821	3,705,829	-	-	3,329,821	3,705,829
Other taxes	2,424,809	2,597,642	-	-	2,424,809	2,597,642
Other	19,848	145,120	180,873	148,718	200,721	293,838
Transfers in (out)	(834,353)	(1,061,411)	505,007	1,061,411	(329,346)	-
Total revenue	25,789,130	25,853,874	1,565,297	2,544,893	27,354,427	28,398,767
Expenses:						
General government	3,378,774	3,601,927	-	-	3,378,774	3,601,927
Public safety	4,544,542	4,721,191	-	-	4,544,542	4,721,191
Tourism & recreation	4,066,782	3,562,265	-	-	4,066,782	3,562,265
Community development	2,986,595	2,892,238	-	-	2,986,595	2,892,238
Public works	16,288,420	16,009,830	-	-	16,288,420	16,009,830
Lawsuit judgment	40,800,696	-	-	-	40,800,696	-
Airport	-	-	2,953,725	2,427,516	2,953,725	2,427,516
Waste (Mineral Pit)	-	-	7,947	16,993	7,947	16,993
Debt service (Interest)	305,293	246,104	-	-	305,293	246,104
Total expenses	72,371,102	31,033,555	2,961,672	2,444,509	75,332,774	33,478,064
Change in net assets:	(46,581,972)	(5,179,681)	(1,396,375)	100,384	(47,978,347)	(5,079,297)
Net assets - beginning of year	128,758,706	133,938,387	7,974,633	7,874,249	136,733,339	141,812,636
Net assets - ending	82,176,734	128,758,706	6,578,258	7,974,633	88,754,992	136,733,339

Internal Service Funds:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town and to other government units on a cost reimbursement basis.

- a.) The Town garage is operated as an internal service fund. Services provided by the garage are charged to the governmental agencies that have contracted with the Town to receive the garage services. Also, services that the garage provides to other Town departments are charged to the department that benefits from the service.
- b.) The fund also is used to account for purchases of vehicles and equipment when adequate funds have been accumulated and replacement is necessary. The Town also uses an internal service fund to account for certain insurance and benefit programs offered to employees. Premiums are collected from the employee or the department, depending on the benefit and paid to the internal service fund. The internal service fund, in turn, processes certain medical expense reimbursements and premiums.

Enterprise Funds:

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of Town facilities and services that are entirely or predominantly self-supporting from user charges. Enterprise operations are accounted for in such a manner as to show a profit or loss as in comparable private enterprises. At June 30, 2011, the Town operated two enterprise funds: the Mammoth Yosemite Airport, and the Long Valley Mineral Pit on behalf of the US Forest Service. The airport Fiscal Year 2010-11 operating (loss) was (\$1,676,763). The Long Valley Mineral Pit operating (loss) was (\$4,973).

Debt Administration:

The Town paid down principal of \$776,433 on existing Certificates of Participation debt during the fiscal year. Total outstanding Certificates of Participation debt issued for capital projects as of June 30, 2011 was \$2,678,479. The Town has not issued general obligation or revenue bonds since its incorporation. The Town has also received a California State Water Resources Control Board loan for storm drain improvements; the outstanding balance at June 30, 2011 was \$566,291.

Outlook for the Future:

Property taxes continue to decline, receipts were 5% less than the prior fiscal year. This decrease is primarily from two factors. The first is the proposition 8 reappraised lower valuations for properties that changed ownership since 2005. The second factor is the large increase in delinquent tax payments. The Town will eventually receive those delinquency payments once the County has collected the tax payments. It is expected that property tax valuations will continue to suffer declines in the next few years.

Transient Occupancy Tax is the largest generator of General Fund dollars. Despite the 'Great Recession' and the slow growth recovery, the Town experienced significant TOT revenue growth of 6% over the prior year.

This is in spite of room discounts that many properties implemented to increase value to the visitor. The Town has continues to realize a significant increase in TOT remitters. Most of those remitters are property owners that have taken a more active role in renting out their property themselves and have shifted their business away from reservation bureaus or are supplementing the rental activity generated by reservation bureaus. The expectation is that TOT growth will continue. Commercial air service has been very successful since the launch of daily winter season flights in FY 2008-09. Fiscal Year 2009-10 and FY2010-11 experienced an increase to 4 daily winter season flights and the initiation of year long daily flights, operated by Horizon Air and United Airlines.

Litigation costs related to the Mammoth Lakes Land Acquisition (MLLA) lawsuit continue to rise. The Town was sued by Mammoth Lakes Land Acquisition, LLP (Hot Creek), and in April 2008 the trial court jury found in favor of Hot Creek and set damages at \$30 million plus attorney's fees and interest. The judgment has grown to over \$40 million as the end of fiscal year FY2010-11. The Town continues to negotiate with the creditor in an attempt to settle the judgment for an amount that the Town can afford to pay. If a negotiated settlement agreement is not reached, the Town will be seeking mediation or may be forced to file for bankruptcy protection to have the MLLA judgment resolved.

Although the forecast expectation in tax revenue is positive, it is very unlikely that real estate and development revenue will recover at all in the upcoming year. The budget assumes below average development revenue and will likely realize overall below average total revenue as well.

In conclusion, the Town has realized a financial recovery from visitor-generated taxes, but has not, and does not expect a recovery in building permits or real estate related development revenue in the foreseeable future. The Town is in a moderate, but cautious position to fund ongoing operations and is positioned to move forward on limited funding of capital projects. The biggest question at this time is the impact of the MLLA judgment against the Town. Servicing that debt would overshadow the financial strength the Town is currently enjoying and could lead to a reduction in services provided by the Town.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "C Myrold".

Cyndi Myrold
Finance Manager

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Government-Wide Financial Statements
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 11,700,622	\$ 124,766	\$ 11,825,388
Receivables	2,263,295	479,968	2,743,263
Loans receivable	648,097	-	648,097
Internal balances	4,988,047	(4,988,047)	-
Prepaid expenses	394,738	6,047	400,785
Notes receivable	11,892,123	45,860	11,937,983
Restricted cash with fiscal agent	206,259	-	206,259
Capital assets not being depreciated	17,574,933	544,316	18,119,249
Capital assets, net of depreciation	79,611,389	10,714,901	90,326,290
Total assets	129,279,503	6,927,811	136,207,314
Liabilities			
Accounts payable	1,903,599	118,680	2,022,279
Deferred revenue	576,820	-	576,820
Lawsuit judgment	40,800,696	-	40,800,696
Noncurrent liabilities:			
Due within one year	434,690	37,197	471,887
Due in more than one year	2,849,960	145,882	2,995,842
Compensated absences	537,004	47,794	584,798
Total liabilities	47,102,769	349,553	47,452,322
Net Assets			
Invested in capital assets, net of related debt	93,901,672	11,076,138	104,977,810
Restricted	206,259	-	206,259
Unrestricted	(11,931,197)	(4,497,880)	(16,429,077)
Total net assets	\$ 82,176,734	\$ 6,578,258	\$ 88,754,992

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Government-Wide Financial Statements
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 3,378,774	\$ 46,846	\$ -	\$ -	\$ (3,331,928)	\$ -	\$ (3,331,928)
Public safety	4,544,542	36,289	296,599	-	(4,211,654)	-	(4,211,654)
Tourism, parks and recreation	4,066,782	354,187	6,632	-	(3,705,963)	-	(3,705,963)
Community development	1,827,231	276,045	206,759	-	(1,344,427)	-	(1,344,427)
Public ways and facilities	5,835,255	5,059	109,080	-	(5,721,116)	-	(5,721,116)
Transportation and transit	167,607	223,625	516,512	-	572,530	-	572,530
Workforce housing	1,159,364	-	189,460	-	(969,904)	-	(969,904)
Capital projects	624,365	85,522	1,565,524	3,009,946	4,036,627	-	4,036,627
Lawsuit judgment	40,800,696	-	-	-	(40,800,696)	-	(40,800,696)
Depreciation expense	9,661,193	-	-	-	(9,661,193)	-	(9,661,193)
Interest on long-term debt	305,293	-	-	-	(305,293)	-	(305,293)
Total governmental activities	72,371,102	1,027,573	2,890,566	3,009,946	(65,443,017)	-	(65,443,017)
Business-type Activities							
Airport	2,953,725	509,474	-	366,969	-	\$ (2,077,282)	(2,077,282)
Landfill management	7,947	2,974	-	-	-	(4,973)	(4,973)
Total business-type activities	2,961,672	512,448	-	366,969	-	(2,082,255)	(2,082,255)
Total primary government	\$ 75,332,774	\$ 1,540,021	\$ 2,890,566	\$ 3,376,915	(65,443,017)	(2,082,255)	(67,525,272)
General Revenue							
Property taxes					3,329,821	-	3,329,821
Sales taxes					2,725,215	-	2,725,215
Transient occupancy					11,195,705	-	11,195,705
Utility users taxes					943,735	-	943,735
Business taxes					284,179	-	284,179
Franchise fees					711,912	-	711,912
Licenses & permits					287,941	-	287,941
Fines & penalties					56,723	-	56,723
Investment earnings					140,319	404	140,723
Other revenues					19,848	180,469	200,317
Transfers in (out)					(834,353)	505,007	(329,346)
Totals					18,861,045	685,880	19,546,925
Change in Net Assets					(46,581,972)	(1,396,375)	(47,978,347)
Net Assets							
Beginning					128,758,706	7,974,633	136,733,339
End of Year					\$ 82,176,734	\$ 6,578,258	\$ 88,754,992

The accompanying notes to financial statements are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Housing & Community Development Fund	Gas Tax Fund	DIF General Facilities Fund	Measure R Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 4,245,551	\$ 72,607	\$ 121,761	\$ (769)	\$ 1,247,581	\$ -	\$ 5,686,731
Receivables	1,291,677	-	-	769	118,300	703,415	2,114,161
Notes receivable	925,000	10,967,123	-	-	-	-	11,892,123
Interfund loans	9,009,661	-	-	705,558	-	616,395	10,331,614
Restricted cash with fiscal agent	-	-	-	-	-	206,259	206,259
Total assets	<u>\$ 15,471,889</u>	<u>\$ 11,039,730</u>	<u>\$ 121,761</u>	<u>\$ 705,558</u>	<u>\$ 1,365,881</u>	<u>\$ 1,526,069</u>	<u>\$ 30,230,888</u>
Liabilities							
Accounts payable	\$ 1,487,572	\$ -	\$ 121,761	\$ -	\$ 59,352	\$ 113,183	\$ 1,781,868
Cash overdraft	-	-	-	-	-	525,195	525,195
Deferred revenue	576,820	10,967,123	-	-	-	-	11,543,943
Interfund loans	-	-	-	3,125,000	-	2,845,471	5,970,471
Total liabilities	<u>2,064,392</u>	<u>10,967,123</u>	<u>121,761</u>	<u>3,125,000</u>	<u>59,352</u>	<u>3,483,849</u>	<u>19,821,477</u>
Fund Balances							
Non-spendable	9,466,673	-	-	-	-	-	9,466,673
Restricted	-	72,607	-	-	1,306,529	240,783	1,619,919
Committed	3,517,007	-	-	-	-	-	3,517,007
Assigned	-	-	-	-	-	-	-
Unassigned	423,817	-	-	(2,419,442)	-	(2,198,563)	(4,194,188)
Total fund balances	<u>13,407,497</u>	<u>72,607</u>	<u>-</u>	<u>(2,419,442)</u>	<u>1,306,529</u>	<u>(1,957,780)</u>	<u>10,409,411</u>
Total liabilities and fund balances	<u>\$ 15,471,889</u>	<u>\$ 11,039,730</u>	<u>\$ 121,761</u>	<u>\$ 705,558</u>	<u>\$ 1,365,881</u>	<u>\$ 1,526,069</u>	<u>\$ 30,230,888</u>

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Assets

June 30, 2011

Total Fund Balances - Governmental Funds (page 12)

\$ 10,409,411

Amounts reported in the governmental activities column in the statement of net assets (page 10) are different because of the following:

Capital Assets

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds balance sheet.

Capital assets not being depreciated

Capital assets, net of depreciation

17,574,933

79,611,389

Long Term Obligations

Long term liabilities are not due and payable in the current period and therefore not reported in the governmental funds balance sheet:

Due within one year

Due in more than one year

Compensated absences

(434,690)

(2,849,960)

(537,004)

Lawsuit Judgment

(40,800,696)

Deferred Revenue

Notes receivable from nonprofit organizations are recorded on the governmental funds balance sheet and offset with a deferred revenue liability account. However for the statement of net assets these notes receivable are shown without an offset.

Internal Services

Internal service funds are used by management to charge the cost of motor pool and employee benefits activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of activities.

11,892,123

7,311,228

Net Assets - Governmental Activities (page 10)

\$ 82,176,734

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Statement of Revenue, Expenditures, and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General Fund	Housing & Community Development Fund	Gas Tax Fund	DIF General Facilities Fund	Measure R Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenue							
Taxes and assessments	\$ 18,220,088	\$ -	\$ -	\$ -	\$ 970,479	\$ -	\$ 19,190,567
Licenses and permits	287,941	-	-	-	-	-	287,941
Intergovernmental	820,932	189,460	1,565,524	-	-	3,215,516	5,791,432
Charge for services	942,051	-	109,080	11,158	-	74,364	1,136,653
Fines and penalties	56,723	-	-	-	-	-	56,723
Use of money and property	135,108	-	-	3,256	-	1,955	140,319
Other revenue	16,930	-	-	-	2,918	-	19,848
Total revenue	20,479,773	189,460	1,674,604	14,414	973,397	3,291,835	26,623,483
Expenditures							
General government	3,876,392	-	-	-	-	-	3,876,392
Public safety	4,845,991	-	-	-	-	4,175	4,850,166
Tourism, parks and recreation	3,814,042	-	-	-	563,270	-	4,377,312
Community development	1,794,141	-	-	-	-	33,090	1,827,231
Public ways and facilities	1,299,463	-	4,350,126	-	-	37	5,649,626
Capital projects	-	-	-	148,003	-	3,330,151	3,478,154
Transportation and transit	972,986	-	-	-	-	186,378	1,159,364
Workforce housing	467,791	156,574	-	-	-	-	624,365
Debt service	-	-	-	-	-	-	-
Total expenditures	17,070,806	156,574	4,350,126	148,003	563,270	4,780,513	27,069,292
Excess of Revenue over (under) Expenditures	3,408,967	32,886	(2,675,522)	(133,589)	410,127	(1,488,678)	(445,809)
Other Financing Sources (Uses)							
Transfers in	11,526,046	-	2,887,654	-	-	1,530,274	15,943,974
Transfers (out)	(15,599,526)	-	(212,377)	(45,592)	(40,337)	(688,519)	(16,586,351)
Total other financing sources	(4,073,480)	-	2,675,277	(45,592)	(40,337)	841,755	(642,377)
Change in Fund Balances	(664,513)	32,886	(245)	(179,181)	369,790	(646,923)	(1,088,186)
Fund Balances - beginning	14,072,010	39,721	245	(2,240,261)	936,739	(1,310,857)	11,497,597
Fund Balances - end of year	\$ 13,407,497	\$ 72,607	\$ -	\$ (2,419,442)	\$ 1,306,529	\$ (1,957,780)	\$ 10,409,411

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Reconciliation of the Statement of Revenue, Expenditures, and Change in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Change in Fund Balances - Governmental Funds (page 14) \$ (1,088,186)

Amounts reported for governmental activities in the statement of activities (page 11) are different because of the following:

Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, net of dispositions, in the current period. (5,780,708)

Debt Payments

The issuance of long term debt (ie. cops, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of the long term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect of net assets. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amount are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items. 1,017,386

Lawsuit Judgment

(40,800,696)

Internal Service Funds

Internal service funds are used by management to charge the cost of motor pool and employee benefits activities to individual funds. The net revenue of certain activities of internal service funds is reported within governmental activities on the statement of activities. 70,232

Change in Net Assets - Governmental Activities (page 11)

\$ (46,581,972)

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Assets				
Current assets:				
Cash and investments	\$ 122,972	\$ 1,794	\$ 124,766	\$ 6,539,086
Receivables - accounts and grants	479,965	3	479,968	149,134
Due from other funds	-	-	-	-
Prepaid expense	6,047	-	6,047	394,738
Advance loans to other funds	-	-	-	1,275,000
Total current assets	608,984	1,797	610,781	8,357,958
Noncurrent assets:				
Note receivable	45,860	-	45,860	-
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	10,714,901	-	10,714,901	2,823,833
Total noncurrent assets	11,305,077	-	11,305,077	2,823,833
Total assets	11,914,061	1,797	11,915,858	11,181,791
Liabilities				
Current liabilities:				
Accounts payable	99,067	24	99,091	84,531
Accrued liabilities	19,306	283	19,589	37,200
Current portion of long term debt	37,197	-	37,197	-
Advance loan from the general fund	4,988,047	-	4,988,047	-
Total current liabilities	5,143,617	307	5,143,924	121,731
Noncurrent liabilities:				
Due in more than one year	145,882	-	145,882	-
Compensated absences	47,794	-	47,794	41,370
Total noncurrent liabilities	193,676	-	193,676	41,370
Total liabilities	5,337,293	307	5,337,600	163,101
Net Assets				
Invested in capital assets, net of related debt	11,076,138	-	11,076,138	2,823,833
Unrestricted	(4,499,370)	1,490	(4,497,880)	8,194,857
Total net assets	\$ 6,576,768	\$ 1,490	\$ 6,578,258	\$ 11,018,690

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES

Proprietary Funds

Statement of Revenue, Expenses, and Change in Net Assets

Year Ended June 30, 2011

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Revenue				
Charges for services	\$ 509,474	\$ 2,974	\$ 512,448	\$ 2,170,230
Operating grants	-	-	-	-
Total operating revenue	<u>509,474</u>	<u>2,974</u>	<u>512,448</u>	<u>2,170,230</u>
Operating Expenses				
Personnel services	336,434	2,056	338,490	1,098,484
Maintenance and operations	558,313	5,891	564,204	472,215
Depreciation	1,291,490	-	1,291,490	544,436
Total operating expenses	<u>2,186,237</u>	<u>7,947</u>	<u>2,194,184</u>	<u>2,115,135</u>
Operating Income (Loss)	<u>(1,676,763)</u>	<u>(4,973)</u>	<u>(1,681,736)</u>	<u>55,095</u>
Nonoperating Revenue (Expenses)				
Investment earnings	404	-	404	21,176
Other revenue	180,474	-	180,474	2,975
Professional services	(688,112)	-	(688,112)	-
Interest expense	(79,380)	-	(79,380)	-
Total nonoperating revenue (expenses)	<u>(586,614)</u>	<u>-</u>	<u>(586,614)</u>	<u>24,151</u>
Income Before Contributions/Transfers	<u>(2,263,377)</u>	<u>(4,973)</u>	<u>(2,268,350)</u>	<u>79,246</u>
Capital contributions - grant proceeds	366,969	-	366,969	-
Transfers in	505,007	-	505,007	45,592
Transfers (out)	-	-	-	(54,606)
Change in Net Assets	<u>(1,391,401)</u>	<u>(4,973)</u>	<u>(1,396,374)</u>	<u>70,232</u>
Net Assets - beginning	7,968,169	6,463	7,974,632	10,948,458
Net Assets - end of year	<u>\$ 6,576,768</u>	<u>\$ 1,490</u>	<u>\$ 6,578,258</u>	<u>\$ 11,018,690</u>

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2011

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Activities				
Cash received from customers	\$ 478,941	\$ 4,087	\$ 483,028	\$ 2,072,651
Cash paid for employee compensation	(336,434)	(2,056)	(338,490)	(812,078)
Cash paid to suppliers of goods and services	(522,208)	(6,182)	(528,390)	(487,565)
Cash paid for benefit claims	-	-	-	(286,406)
Net cash provided (used)	(379,701)	(4,151)	(383,852)	486,602
Noncapital Financing Activities				
Transfers in	505,007	-	505,007	45,592
Transfers (out)	-	-	-	(54,606)
Net cash provided (used)	505,007	-	505,007	(9,014)
Capital & Related Financing Activities				
Proceeds from capital grants	340,489	-	340,489	-
Repayment of general fund advance	(90,324)	-	(90,324)	-
Cash paid for professional services	(688,111)	-	(688,111)	-
Other cash received	180,474	-	180,474	2,974
Purchase of capital assets	(141,559)	-	(141,559)	-
Repayment of debt obligations	(25,806)	-	(25,806)	(185,029)
Interest paid on debt obligations	(79,380)	-	(79,380)	-
Net cash provided (used)	(504,217)	-	(504,217)	(182,055)
Investing Activities				
Investment earnings	404	-	404	21,176
Net Increase (Decrease) in Cash	(378,507)	(4,151)	(382,658)	316,709
Cash and cash equivalents - beginning	501,479	5,945	507,424	6,222,377
Cash and cash equivalents - end of year	\$ 122,972	\$ 1,794	\$ 124,766	\$ 6,539,086
Operating Activities Analysis				
Operating Income (Loss) (page 17)	\$ (1,676,763)	\$ (4,973)	\$ (1,681,736)	\$ 55,095
Reconciliation adjustments:				
Depreciation and disposals	1,291,490	-	1,291,490	544,436
(Increase) decrease in receivables	(30,533)	1,113	(29,420)	(97,579)
(Increase) decrease in prepaid expense	(2,251)	-	(2,251)	(42,663)
Increase (decrease) in accounts payable	38,356	(291)	38,065	27,313
Net cash provided (used)	(379,701)	(4,151)	(383,852)	486,602

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets	
Cash and investments	\$ 3,049,828
Cash with fiscal agent	1,914,914
Accounts receivables	33,875
Total assets	<u>4,998,617</u>
Liabilities	
Accounts payable	32,713
Loans payable - Town of Mammoth Lakes	648,097
Total liabilities	<u>680,810</u>
Net Assets Held in Trust	<u><u>\$ 4,317,807</u></u>

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Town.

- Note 1 - Significant Accounting Policies
- Note 2 - Stewardship, Compliance, and Accountability
- Note 3 - Cash and Investments
- Note 4 - Notes Receivable
- Note 5 - Capital Assets
- Note 6 - Long Term Debt Obligations
- Note 7 - Interfund Balances
- Note 8 - Interfund Transfers
- Note 9 - Defined Benefit Pension Plan
- Note 10 - Net Assets and Fund Balance Designations
- Note 11 - Liability, Workers' Compensation, and Purchased Insurance
- Note 12 - Commitments and Contingencies
- Note 13 - Assessment District Debt
- Note 14 - Dependence upon Tourism Industry
- Note 15 - New Pronouncements
- Note 16 - Subsequent Events

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

The accounting policies of the Town of Mammoth Lakes conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) as applicable to governments. The following is a summary of the more significant policies.

A. Description of the Reporting Entity

The Town of Mammoth Lakes, and the Mammoth Lakes Municipal Service Corporation, comprise the reporting entity. Although these entities are legally separate from each other, they are presented on a blended basis as part of the primary government because their governing boards consist exclusively of all five members of the Town Council. Under the criteria in GASB Statement No. 14, as amended by GASB No. 39, these entities meet the criteria for inclusion within the Town's financial reports. Financial information for the Town of Mammoth Lakes Municipal Service Corporation is available at the Finance Department of the Town of Mammoth Lakes. The Town has no discretely presented component units. The accompanying financial statements contain information for the total reporting entity.

Mammoth Lakes Municipal Service Corporation - This corporation was organized on August 1, 1989, pursuant to the Nonprofit Public Benefit Corporations Law of the State of California, solely for the purpose of providing assistance to the Town by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the Town to assist in lease financing of certain capital improvement projects. The Corporation's financial data and transactions are included within the Debt Service Fund. Oversight responsibility is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and the ability to significantly influence operations in accordance with GASB Statement No. 14, and amended by GASB No. 39.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Expenses reported for functional activities include allocated indirect expenses.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. The government has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Fund Types - Governmental funds are the funds through which most general government functions typically are financed. The Town maintains the following fund types:

General Fund - the general fund accounts for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds – these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – these funds are used to account for the accumulation of resources for, and the repayment of, general long-term debt obligation payments for principal, interest and related costs.

Capital Projects Fund – these funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Types - Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following are the Town's proprietary fund types:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

Enterprise Funds – these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Town is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Mammoth Yosemite Airport and the Long Valley Landfill are reported as enterprise funds.

Internal Service Funds – these funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town, and to other government units on a cost reimbursement basis. The Town's purchasing of vehicles and equipment, and the self insurance employee benefit program, is reported as internal service funds.

Fiduciary Fund Types - Fiduciary funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. The Town's funds included in this category are as follows:

Expendable Trust Funds – these funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Agency Funds – these funds account for assets held by the Town as trustee or agent for individuals, private organizations, assessment districts, or other governmental units and/or other funds.

The Major Funds are as follows:

General Fund - this fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Housing and Community Development Fund - this fund is used to account for restricted use financial resources received from federal, state and county governments, for the purpose of providing affordable housing within the community.

Gas Tax Fund - this fund is used to account for restricted use financial resources received from federal, state and county governments, for street related expenditures.

Development Impact Fees (DIF) General Facilities Fund - this fund is used to account for restricted use financial resources received from community development applicants which is used to relieve the additional financial burdens placed upon the Town, created from additional real estate developments.

Measure R - this fund is used to account for restricted use financial resources received from a voter approved additional one-half of one percent retail transactions and use tax, to be used for recreation, trails and parks expenditures.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The Government-wide Statement of Net Assets and the Statement of Activities, and both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statement, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the "accrual basis of accounting." Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

On the fund financial statements, governmental funds are presented on the "modified accrual basis of accounting." Under this modified accrual basis of accounting, revenue is recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt in the governmental funds, which is recognized when due.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

Proprietary funds use the "accrual basis of accounting" which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise. The Town has made an election in accordance with GASB Statement No. 20, not to follow the Financial Accounting Standards Board Statements after November 30, 1989, but rather use the Governmental Accounting Standards Board (GASB) Statements for accounting and financial statement presentation purposes.

C. Budgetary Data

General Budget Policies - the Town maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the Town Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The Town's budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments may be reappropriated for the subsequent fiscal year upon Town Council approval. This approval is generally limited to capital improvement projects.

Budget Basis of Accounting - budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA). The Budgetary Comparison Schedules of the General Fund and Major Funds present comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the Town's accounting basis; thus no reconciliation between the two is considered necessary.

D. Other Accounting Policies

Cash and Investments - the Town follows the requirements of GASB 3, as amended by GASB 31, and GASB 40, in reporting cash and investments at fair value and disclosing risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk, as applicable.

Compensated Absences - the Town utilizes the general fund and proprietary funds to account for its compensated absences. Resources have been set aside to cover short-term and long-term liabilities. The Town's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions, social security and medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. Comprehensive leave pay is payable to employees at the time the leave is taken or upon termination of employment. Comprehensive leave is payable for any type of employee leave, and may not exceed 1,040 hours cumulative. Any excess leave is paid to an employee at the end of each fiscal year. In addition, an employee may request a *pay out* of comprehensive leave twice a year but must maintain a balance of 240 hours to receive a *pay out*.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Prepaid Expenses

Prepaid expenses consist of fuel, vehicle parts and expendable supplies which are physically counted annually and valued at cost on the weighted average method, which approximates fair value.

G. Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net assets. Public domain general capital assets (infrastructure) consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003 in accordance with GASB Statement No. 34. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital outlay is recorded as *expenditures* of the general and special revenue funds and as *assets* in the government-wide financial statements to the extent the Town's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 4 to 20 years for equipment and vehicles, and 20 to 50 years for buildings and improvements. Land, art and treasurers are not considered exhaustible, therefore are not being depreciated.

H. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Property Taxes

Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of Mono County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies

Tax Levies - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections - are the responsibility of the Mono County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by Mono County for late payments.

Tax Levy Apportionments - due to the nature of the Town-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total Town-wide levy for the three fiscal years prior to fiscal year 1979.

Property Tax Administration Fees - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.

J. Receivables and Payables

Internal balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due to/due from other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation, and are not expendable available financial resources. Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets.

The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The Town considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Grants, entitlements or shared revenue is recorded as receivables and revenue in the general, special revenue and capital projects funds when they are received or susceptible to accrual.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 1 - Significant Accounting Policies (concluded)

K. Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

L. Net Assets

The Town's net assets are classified on the Statement of Net Assets as follows:

- *Invested in Capital Assets* - represents the Town's total investment in capital assets net of any related acquisition debt.
- *Restricted Net Assets* - includes resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted Net Assets* - represents resources derived from sources without spending restrictions. These resources are used for transactions relating the general operations of the Town, and may be used at the discretion of the Town Council to meet current expenses for any purpose.

The Town's governmental fund balances are classified on the Balance Sheet as follows:

- Non-spendable - amounts that cannot be spent as stipulated by donor restrictions or are not readily converted to reduce obligations.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority.
- Assigned - amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The Town follows these annual procedures in establishing the budgetary data reflected in the financial statements:

- The Town Manager submits to the Town Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 2 - Stewardship, Compliance, and Accountability (continued)

- The Town Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
- Prior to July 1, the budget is adopted by minute action of the Town Council.
- From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various Town departments. The Town Council may amend the budget by minute action during the fiscal year. The Town Manager may authorize transfers from one object or purpose to another within the same department. All appropriations lapse at year end.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the Town's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Note 3 - Cash and Investments

The Town follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 11,825,388
Restricted cash with fiscal agent	206,259
	<u>12,031,647</u>
Statement of Fiduciary Assets and Liabilities	
Cash and investments	3,049,828
Investments with fiscal agent	1,914,914
	<u>4,964,742</u>
Total	<u>\$ 16,996,389</u>
Cash and Investments consist of the following:	
Deposits with financial institutions	\$ 1,765,845
Investment with Local Agency Investment Fund	13,237,159
Investments by fiscal agents	1,993,385
Total	<u>\$ 16,996,389</u>

Investment Policy

The table below identifies the investment types that are authorized under provisions of the Town's investment policy adopted September 1, 2010, and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address concentration or maximum percentages and maturity.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 3 - Cash and Investments (continued)

<u>Permitted Investments/Deposits</u>	<u>Maximum Percentages</u>	<u>Maximum Maturity</u>
<u>Investment Type A:</u>		
Securities of the US Government	Unlimited	5 years
Certificates of Deposit	Unlimited	5 years
Commercial Paper (A-1, P-1, F-1, only)	25%	270 days
Local Agency Investment Fund (LAIF)	\$40,000,000	n/a
Passbook Deposits	n/a	n/a
<u>Investment Type B:</u>		
Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	40%	180 days
Repurchase Agreements	n/a	1 year
Mutual Funds	15%	5 years
Medium Term Notes	30%	5 years

Type A investments do not require any specific approval of the Town Council. All Type B investments require a specific resolution of the Town Council prior to the investment purchase/deposit.

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$1,765,843 and the bank account balances were \$2,440,730. The difference of \$674,887 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$2,190,730 was collateralized in accordance with California Government Code Sections 53600 - 53609.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town of Mammoth manages its exposure to interest rate risk is by investing with LAIF, who purchases a combination of shorter term and medium term investments, but is generally due on demand to the Town.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds, as described in detail above.

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California government code. Investments in any one issuer that represent 5% or more of total investments at June 30, 2011 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$13,237,159	7.9 months	0.48%	77.8%
Money Market Mutual Funds	1,993,385	on demand	0.01%	11.7%

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 3 - Cash and Investments (concluded)

The credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California government code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2011, the Town had \$2,190,730 in financial institutions that was not covered by the FDIC, but was covered by collateralized securities of the financial institutions where the deposits were maintained.

The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Participation in an External Investment Pool

The Town is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for the day to day administration of LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the Town's position in the LAIF pool. The State Treasurer determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. As of June 30, 2011, the Town's investment in LAIF was \$13,237,159. The total amount invested by all public agencies at that date was \$23.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 had a balance of \$66.4 billion. Financial Statements of LAIF and PMIA may be obtained from the California Treasurer's web site at www.treasurer.ca.gov.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 4 - Notes Receivable

The Town participates in "Housing Rehabilitation and Affordable Housing Loan Programs" designed to encourage construction and improvement to low-to-moderate income housing or other similar projects. Under these programs, grants and loans are provided under favorable terms to homeowners and real estate developers who agree to spend these funds in accordance with the Town's loan agreement terms. Although these loans are expected to be repaid in full, their balance has been offset by a deferred revenue account, as they are not expected to be repaid during the next fiscal year, nor in the foreseeable future. At June 30, 2011, notes receivables as reported in the Statement of Net Assets - Governmental Activities column consist of the following:

General Fund:

Aspen Village housing	\$ 900,000
Eastern Sierra Transit Authority	25,000

Special Revenue Funds:

Bristlecone Apartments	977,684
Inyo Mono Advocates	820,532
Aspen Village housing	2,000,000
Aspen Village housing	3,412,500
Jeffries Apartments	3,412,500
HELP housing grant loan	343,907
	<u>\$ 11,892,123</u>

Note 5 - Capital Assets

Governmental-type capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<u>Non-depreciable Assets</u>				
Land	\$ 17,574,933	\$ -	\$ -	\$ 17,574,933
<u>Depreciable Assets</u>				
Buildings and structures	19,271,733	53,544	(44,853)	19,280,424
Streets and roads	175,353,950	3,094,918	(57,451)	178,391,417
Storm drains	14,178,357	-	-	14,178,357
Vehicles and equipment	932,695	162,085	(213,326)	881,454
	209,736,735	3,310,547	(315,630)	212,731,652
<u>Accumulated Depreciation</u>	(127,000,808)	(9,116,757)	173,469	(135,944,096)
Depreciable assets, net	82,735,927	(5,806,210)	(142,161)	76,787,556
Total capital assets, net	<u>\$ 100,310,860</u>	<u>\$ (5,806,210)</u>	<u>\$ (142,161)</u>	<u>\$ 94,362,489</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 5 - Capital Assets (continued)

Internal Service Fund capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Depreciable Assets</u>				
Vehicles and equipment	\$ 9,229,156	\$ -	\$ -	\$ 9,229,156
<u>Accumulated depreciation</u>	(5,860,887)	(544,436)	-	(6,405,323)
Total capital assets, net	<u>\$ 3,368,269</u>	<u>\$ (544,436)</u>	<u>\$ -</u>	<u>\$ 2,823,833</u>

Reported in the Statement of Net Assets are the combined capital assets of the governmental-type and internal service funds, as follows:

	Governmental	Internal Service	Total
Capital assets, not being depreciated	\$ 17,574,933	\$ -	\$ 17,574,933
Capital assets, net of depreciation	76,787,556	2,823,833	79,611,389
			<u>\$ 97,186,322</u>
Depreciation expense	\$ 9,116,757	\$ 544,436	<u>\$ 9,661,193</u>

Business-type capital asset activity of the Mammoth Yosemite Airport for the year was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
<u>Depreciable Assets</u>				
Buildings and runway	14,629,729	27,625	-	14,657,354
Vehicles and equipment	2,393,253	113,934	-	2,507,187
	17,022,982	141,559	-	17,164,541
<u>Accumulated Depreciation</u>	(5,158,150)	(1,291,490)	-	(6,449,640)
Depreciable assets, net	<u>11,864,832</u>	<u>(1,149,931)</u>	<u>-</u>	<u>10,714,901</u>
Total capital assets, net	<u>\$ 12,409,148</u>	<u>\$ (1,149,931)</u>	<u>\$ -</u>	<u>\$ 11,259,217</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 6 - Long Term Debt Obligations

A. Compensated Absences

Town employees accumulate earned but unused vacation pay benefits which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable currently available resources, if any, they are reported as long-term debt obligations on the statement of net assets. No expenditure is reported for these amounts in the fund statements. However, in the statement of activities the expenditure is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements at year end totaled \$537,004 for governmental activities, and \$47,794 for business-type activities.

B. Capital Lease Obligations

As lessee, the Town is obligated under certain capital lease-purchase agreements. The assets and corresponding liabilities are accounted for in the vehicle internal service fund. Assets acquired under such agreements amounted to \$938,941, with an outstanding balance of \$-0- at June 30, 2011.

C. Loans Payable - Governmental Activities

On August 16, 2004, the Municipal Finance Corporation loaned the Town \$500,000 for financing construction of the Visitors Welcome Center. Principal and interest payments in the amount of \$40,600 are due semi-annually on January 15 and July 15, with interest at 3.5% per annum. The debt matures in year 2011. As of June 30, 2011, the outstanding balance was \$39,880.

Between 1999 and 2001 the Town borrowed \$1,182,000 from the California State Water Resources Control Board's Revolving Loan Fund, for storm drain improvements. Principal and interest payments in the amount of \$79,000 are due each January, including interest at 2.5% per annum. This debt matures in year 2019. As of June 30, 2011, the outstanding balance was \$566,291.

Loans Payable - Governmental Activities					
Year Ending June 30,	Visitors Center	Storm Drain Improv.	Total Principal	Interest	Total
2012	\$ 39,880	\$ 64,829	\$ 104,709	\$ 14,857	\$ 119,566
2013	-	66,449	66,449	12,538	78,987
2014	-	68,111	68,111	10,877	78,988
2015	-	69,813	69,813	9,174	78,987
2016	-	71,559	71,559	7,429	78,988
2017-2020	-	225,530	225,530	11,372	236,902
	<u>\$ 39,880</u>	<u>\$ 566,291</u>	<u>\$ 606,171</u>	<u>\$ 66,247</u>	<u>\$ 672,418</u>

D. Certificates of Participation

On June 1, 2000, the Town issued \$2,470,000 in Certificates of Participation to purchase land. Interest is due semi-annually on June 1 and December 1, with principal payments due June 1 annually. Total annual payments are approximately \$200,000, with an average interest rate of 6.43%. The debt matures in year 2025. As of June 30, 2011, the outstanding balance was \$1,805,000.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 6 - Long Term Debt Obligations (continued)

On April 1, 2003, the Town issued \$5,770,000 in Certificates of Participation to refinance the 1997 COP of the Town, which was issued to refinance 1989 and 1991 COPs of the Town, which were both for capital improvement projects. Interest is due semi-annually on June 1 and December 1, with principal payments due June 1 annually. Total annual payments are approximately \$840,000 per year, with an average interest rate of 2.34%. The debt matured in year 2011. As of June 30, 2011, the outstanding balance was \$-0-.

On January 7, 2004, the Town issued \$1,370,000 in Certificates of Participation to purchase land for an affordable/workforce housing project. Principal and interest payments in the amount of \$83,300 are due semi-annually on January 27 and July 27, with interest at 3.8% per annum. The debt matures in year 2014. As of June 30, 2011, the outstanding balance was \$572,792.

On January 8, 2004, the Town issued \$845,500 in Certificates of Participation of which \$422,750 is taxable to the lender. The COP was issued to purchase land for an affordable/workforce housing project. Principal and interest payments in the amount of \$53,000 are due semi-annually on January 27 and July 27. The interest rate for the non-taxable portion of the COP is 3.89% per annum, while the interest on the taxable portion is 5.65% per annum. The debt matures in year 2014. As of June 30, 2011, the outstanding balance was \$300,687.

Year Ended June 30,	Certificates of Participation					
	2000	2004	2004	Total	Interest	Total
	Land Acquisition	Land Acquisition	Land Acquisition	Principal		
2012	\$ 85,000	\$ 149,932	\$ 95,049	\$ 329,981	\$ 144,387	\$ 474,368
2013	90,000	155,821	98,783	344,604	129,580	474,184
2014	100,000	161,942	106,855	368,797	114,000	482,797
2015	100,000	105,097	-	205,097	99,955	305,052
2016	100,000	-	-	100,000	93,580	193,580
2017-2021	645,000	-	-	645,000	357,610	1,002,610
2022-2025	685,000	-	-	685,000	116,820	801,820
	<u>\$ 1,805,000</u>	<u>\$ 572,792</u>	<u>\$ 300,687</u>	<u>\$ 2,678,479</u>	<u>\$ 1,055,932</u>	<u>\$ 3,734,411</u>

E. Loans Payable - Business type Activities

The Town is obligated under two loans with the State Department of Transportation Aeronautics Division for capital improvements at the airport. These loans are summarized as follows:

Loaned on September 30, 1985, by the State Department of Transportation to the County of Mono in the amount of \$208,222. Pursuant to a subsequent agreement between the Town of Mammoth Lakes and the County of Mono, ownership of the airport and the debt identified above transferred to the Town of Mammoth Lakes in 1991. The purpose of the loan was for an airport improvement project. The loan is amortized over 25 years, with an interest rate of 8.03% per annum. As of June 30, 2011, the outstanding balance was \$-0-.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 6 - Long Term Debt Obligations (concluded)

Loaned on September 14, 1998 by the State Department of Transportation to the Town of Mammoth Lakes for a water system and taxi lane extension at the Mammoth Yosemite Airport. The loan amount was \$500,000, amortized over 17 years, with an interest rate of 5.0498% per annum. As of June 30, 2011, the outstanding balance was \$183,079.

Year Ended June 30,	Department of Transportation Loans		
	Principal	Interest	Total
2012	\$ 37,197	\$ 9,245	\$ 46,442
2013	38,927	7,367	46,294
2014	40,657	5,401	46,058
2015	42,388	3,348	45,736
2016	23,910	1,207	25,117
	<u>\$ 183,079</u>	<u>\$ 26,568</u>	<u>\$ 209,647</u>

F. Long term debt activity for the year was comprised of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of participation	\$ 3,454,912	\$ -	\$ (776,433)	\$ 2,678,479	\$ 329,981
Loans payable	751,127	-	(144,956)	606,171	104,709
Capital leases	181,665	-	(181,665)	-	-
Compensated absences	636,365	-	(99,361)	537,004	-
	<u>\$ 5,024,069</u>	<u>\$ -</u>	<u>\$ (1,202,415)</u>	<u>\$ 3,821,654</u>	<u>\$ 434,690</u>
Business-type Activities					
Loans payable	\$ 226,875	\$ -	\$ (43,796)	\$ 183,079	\$ 37,197
Compensated absences	23,339	24,455	-	47,794	-
	<u>\$ 250,214</u>	<u>\$ 24,455</u>	<u>\$ (43,796)</u>	<u>\$ 230,873</u>	<u>\$ 37,197</u>

Note 7 - Interfund Balances

In its efforts to become a destination year round resort, the Town has worked for years towards the recently completed development of expanded airport facilities in order to accommodate larger aircraft, and has worked closely with the Federal Aviation Administration (FAA) in order to achieve this goal. Scheduled airline service commenced in the fall of 2008. The Town's general fund loaned the Airport enterprise fund the necessary capital funds to accomplish the required capital improvements. Formal interest bearing loan agreements are established as required by GASB.

The Town has developed a Fractional Assessment District that will capture much needed funding that would otherwise be lost with the development of fractional ownership facilities. Because current State law prohibits the Town from collecting transient occupancy taxes from owners of fractional development, the Fractional Assessment District will provide a taxing mechanism in order to reduce the impact of these facilities on the Town. The Town's general fund loan agreement provides for loan repayment in future years as new Fractional Developments are annexed into the District.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 7 - Interfund Balances (continued)

The repayment of loans to the capital project funds are anticipated with future developer impact fee revenue.

The Town reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and for proprietary funds. These interfund balances have been eliminated in the government-wide financial statements.

Interfund balances at June 30, 2011 consist of the following:

<u>Due to the General fund from:</u>	
Airport funds	\$ 4,988,047
Capital project funds	3,286,263
Fractional district agency fund	648,097
Other funds	87,255
	<u>\$ 9,009,662</u>
<u>Due to the DIF General Facilities fund from:</u>	
Capital project DIF funds	<u>\$ 705,558</u>
<u>Due to Other Governmental funds from:</u>	
Capital project DIF funds	<u>\$ 616,395</u>
<u>Due to the Internal Service fund from:</u>	
DIF general facilities fund	<u>\$ 1,275,000</u>

Note 8 - Interfund Transfers

The Town reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Fund type	Operating transfers	
	In	Out
General fund	\$ 11,526,046	\$ 15,599,526
Gas tax fund	2,887,654	212,377
DIF general facilities fund	-	45,592
Measure R sales tax fund	-	40,337
Nonmajor governmental funds	237,592	56,008
Debt service fund	1,292,682	632,511
Airport operating fund	360,925	-
Airport debt service fund	144,082	
Internal service fund	45,592	54,606
Agency funds	146,384	-
	<u>\$ 16,640,957</u>	<u>\$ 16,640,957</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 8 - Interfund Transfers (continued)

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts, to the debt service fund as debt service payments become due, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Town accounts for its capital improvement and construction projects primarily through its gas tax and capital project funds. Such expenditures are primarily funded from general fund revenue, tax revenue, grants and developer impact fees. Transfers into the agency funds are generally for street related expenditures. These transfers are reported in the fiscal period in which the transactions are approved and recorded.

Note 9 - Defined Benefit Pension Plan

CalPERS Plan Description

All eligible full-time employees participate in the Town's defined benefit pension plan, administered through the California Public Employee's Retirement System (CalPERS), which provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provision as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Town selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolution (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Status and Progress

Non-public safety participants are required to contribute 8% of their annual covered salary, while public safety employees are required to contribute 9% of their annual covered salary. Town employees make the contributions required of themselves, on their behalf, and for their account. The Town's required contributions are based upon an actuarially determined rate. The 2010-11 fiscal year rate was 15.213% for non-public safety employees (miscellaneous plan) and 24.224% for public safety employees (safety plan), of annual covered payroll. The subsequent 2011-12 fiscal year rate is 20.846% for non-public safety employees and 32.705% for public safety employees, of annual covered payroll. The contribution requirements of plan members, and the Town, are established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the Town's total annual pension cost of \$1,813,975 to CalPERS was equal to the Town's required and actual employer contributions of \$1,036,903, and the employee share of \$777,072. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included:

- a 7.75% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.55% to 14.45% depending on age, service and type of employment
- an inflation rate of 3.0%

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 9 - Defined Benefit Pension Plan (continued)

- a payroll growth rate of 3.25%
- individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

The actuarial value of CalPERS' risk pool assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value).

The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Three-year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008-09	\$ 2,175,960	100%	\$ -0-
2009-10	\$ 1,922,348	100%	\$ -0-
2010-11	\$ 1,813,975	100%	\$ -0-

Schedule of Funding Progress-Defined Benefit Pension Plans (unaudited)

The funded status of the plans as of the most recent actuarial valuation dates is as follows (in millions):

Annual Valuation Report Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
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Miscellaneous Plan - 2.7% at age 55 Risk Pool:

6/30/2010	\$ 2,298	\$ 1,815	\$ 482	79.0%	\$ 434	111.1%
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Safety Plan - 3.0% at age 50 Risk Pool:

6/30/2010	\$ 10,165	\$ 8,470	\$ 1,695	83.3%	\$ 956	177.3%
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Other Retirement Plan

The Town entered into a contract with the Public Agency Retirement Services (PARS) effective July 2003 for the provision of an additional pension plan for full-time vested safety employees. The Town is funding the plan in accordance with actuarial assumptions as determined by a third party actuary. The Town requires all part-time, seasonal, and temporary non-CalPERS qualified employees to participate in an Alternative Retirement System (ARS) administered by PARS. The ARS replaces participation in the Federal Insurance Contributions Act (FICA) program also known as Social Security.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 9 - Defined Benefit Pension Plan (concluded)

Employer Side Fund

At the time of joining the CalPERS risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the Town's two plans. The side fund is credited, on an annual basis, with the actuarial investment return assumption which was 7.75% for the Annual Valuation Report as of June 30, 2010 issued in October 2011, and by employer payments which average \$450,000 per year for both plans. In the absence of subsequent contract amendments or funding changes, the side fund should disappear at the end of the amortization period as follows:

<u>Employer Side Fund Obligation</u>	<u>Balance as of Valuation Date</u>	<u>Amortization Period</u>
Miscellaneous Plan	\$ 2,956,728	12 years
Safety Plan	1,197,718	8 years
	<u>\$ 4,154,446</u>	

Note 10 - Net Assets and Fund Balance Designations

In accordance with the Town's implementation of GASB Statement No. 54 this year, fund balance designations with respect to governmental type funds are reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b), not in spendable form such as long term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the Town Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Town Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has set aside amounts for emergency situations, revenue shortages or budgetary imbalances, commonly referred to as *revenue stabilization* or *reserve for economic uncertainty*. The authority to set aside those amounts generally comes from statute, ordinance, resolution, constitution or policy. Stabilization amounts may be expended with Council approval only when certain specific circumstances exist as determined by Council at that time.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to expend *restricted* fund balances first. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, it is the Town's policy to expend *committed*, then *assigned*, then *unassigned* amounts in that order.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 11 - Liability, Workers' Compensation, and Purchased Insurance

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Town of Mammoth Lakes is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Authority

A revised cost allocation methodology was introduced in fiscal year 2010-11; however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 re-insurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 11 - Liability, Workers' Compensation, and Purchased Insurance (continued)

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in re-insurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the re-insurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a re-insurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a re-insurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The Town of Mammoth Lakes participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Town of Mammoth Lakes. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The Town of Mammoth Lakes participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Town of Mammoth Lakes property is currently insured according to a schedule of covered property submitted by the Town of Mammoth Lakes to the Authority. Town of Mammoth Lakes property currently has all-risk property insurance protection in the amount of \$34,685,312. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The Town of Mammoth Lakes purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. Town of Mammoth Lakes property currently has earthquake protection in the amount of \$18,729,313. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 11 - Liability, Workers' Compensation, and Purchased Insurance (concluded)

Crime Insurance

The Town of Mammoth Lakes purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The Town of Mammoth Lakes further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the Town of Mammoth Lakes according to a schedule. The Town of Mammoth Lakes then pays for the insurance. The insurance is arranged by the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2010-11.

Note 12 - Commitments and Contingencies

The Town was the defendant in litigation with a real estate developer for alleged breach of contract. In 2008, a jury awarded the developer \$30 million in damages, and subsequently the presiding judge awarded the prevailing party attorneys fees. In November 2010, the Town lost its appeal of this judgment before the State Supreme Court. At June 30, 2011, the estimated judgment with accrued interest was approximately \$40,800,696. Because the Town does not have ample unrestricted funds to pay the judgment, and the likelihood of Town citizens approving a general obligation bond issue to pay for this judgment is considered unlikely, the Town may be forced to file for bankruptcy protection to relieve itself of this judgment liability.

Except as discussed above, in the normal course of municipal operations, there are various legal claims and legal actions pending against the Town for which no provision has been made in the financial statements because the amount of liability, if any, is unknown. In the opinion of the town attorney and town management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

At June 30, 2011, the Town was in contract for several grant funded street projects, which are expected to be completed by December 31, 2011.

On September 3, 2009, the Town entered into a real estate lease renewal amendment agreement for the continuing occupancy of office space under a one hundred fifty (150) month term commencing retroactively to April 1, 2009 at \$14,396 per month until March 31, 2010. For the period from April 1, 2010 through September 30, 2011 the rent shall be adjusted in accordance with the consumer price index (CPI). From October 1, 2011 through September 30, 2012, the minimum monthly rent shall be \$21,000 per month, thereafter adjusting in accordance with the CPI.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 12 - Commitments and Contingencies (continued)

On November 1, 2010, the Town entered into a real estate lease agreement for the police department building under an eight year agreement with options, at an average monthly base rent of \$5,420 plus property taxes, insurance, utilities, and maintenance.

Note 13 - Assessment District Debt

The Town acts as an agent for collection of property taxes and repayment of several special assessment improvement bonds issued for assessment districts within the Town. Since the Town is not obligated in the event of any manner for these special assessment bonds, the debt is not recorded in these financial statements. The outstanding balance of the bond obligations at June 30, 2011 was as follows:

Bluffs Reassessment District 1993-4R	\$ 2,090,142
North Village Area 2003 Special Tax bonds	\$ 8,340,000

Note 14 - Dependence upon Tourism Industry

The Town is economically dependent on tourism generated tax dollars for providing revenue to its general fund, the main operating fund of the Town. Property tax revenue is also a main contributor to the general fund. The following table shows what percentage these three revenue sources provide to the Town's general fund.

General fund tax type:	Fiscal Year Ended June 30;				
	2007	2008	2009	2010	2011
Transient Occupancy	54%	46%	51%	50%	55%
Property	14%	16%	21%	18%	16%
Sales	12%	9%	13%	8%	13%
	<u>80%</u>	<u>71%</u>	<u>85%</u>	<u>76%</u>	<u>84%</u>

The tourism industry accounts for all the transient occupancy taxes collected and a significant portion of all sales taxes collected. Consequently, a downturn in the tourism industry for the Town would result in a substantial reduction in general fund revenue. In the event of such a downturn, the Town may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level. Note, an additional voter approved sales tax increase commenced in fiscal year 2008-09.

Note 15 - New Pronouncements

Governmental Accounting Standards Board Statement No. 62

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations.
- Accounting Principles Board Opinions.
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2011

Note 15 - New Pronouncements (continued)

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

Note 16 - Subsequent Events

The management of the Town has reviewed the results of operations for the period from its fiscal year end June 30, 2011 through November 15, 2011, the date the financial statements were available to be issued in "draft" form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES
Note to Required Supplementary Information on
Budgetary Comparison Information
Year Ended June 30, 2011

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at Town Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved budget.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the Town Council.

TOWN OF MAMMOTH LAKES
Budgetary Comparison Information
General Fund
Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (Inflows)				
Taxes and assessments	\$ 16,137,051	\$ 16,137,051	\$ 18,220,088	\$ 2,083,037
Licenses and permits	441,817	441,817	287,941	(153,876)
Intergovernmental	758,735	758,735	820,932	62,197
Charge for services	1,092,211	1,092,211	942,051	(150,160)
Fines and penalties	82,750	82,750	56,723	(26,027)
Use of money and property	105,547	105,547	135,108	29,561
Other revenue	12,500	12,500	16,930	4,430
Transfers in from other funds	9,999,574	9,999,574	11,526,046	1,526,472
Amounts Available for Appropriation	<u>28,630,185</u>	<u>28,630,185</u>	<u>32,005,819</u>	<u>3,375,634</u>
Charges to Appropriations (Outflow)				
General government	3,757,648	3,757,648	3,876,392	(118,744)
Public safety	4,658,212	4,658,212	4,845,991	(187,779)
Tourism, parks and recreation	3,633,454	3,633,454	3,814,042	(180,588)
Community development	1,446,788	1,446,788	1,794,141	(347,353)
Public ways and facilities	235,000	235,000	1,299,463	(1,064,463)
Transportation and transit	1,242,034	1,242,034	972,986	269,048
Workforce housing	584,041	584,041	467,791	116,250
Transfers out to other funds	13,142,855	13,142,855	15,599,526	(2,456,671)
Total Charges to Appropriations	<u>28,700,032</u>	<u>28,700,032</u>	<u>32,670,332</u>	<u>(3,970,300)</u>
Surplus (Deficit)	<u>\$ (69,847)</u>	<u>\$ (69,847)</u>	<u>\$ (664,513)</u>	<u>\$ (594,666)</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES

Other Governmental Funds

Combining Balance Sheet

June 30, 2011

Page 1 of 4

Capital Projects Funds:													Total Capital Projects Nonmajor Funds
Capital Projects Fund	DIF Admin Overhead	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq.	DIF Airport Improvement	Public Arts Program				
Assets													
Cash and investments	\$ (302,582)	\$ 200	\$ 472	\$ 636	\$ (218)	\$ 172	\$ (21)	\$ (2)	\$ 3,170	\$			\$ (298,197)
Account receivables (refund)	416,214	(200)	(472)	(636)	218	(172)	21	2	-				414,999
Due from other funds	-	-	-	-	208,575	-	20,169	1,579	364,084				616,395
Notes Receivable	-	-	-	-	-	-	-	-	-				-
Restricted fiscal agent cash	-	-	-	-	-	-	-	-	-				-
Total Assets	\$ 113,632	\$ -	\$ -	\$ -	\$ 208,575	\$ 21,988	\$ 20,169	\$ 1,579	\$ 367,254	\$			\$ 733,197
Liabilities													
Accounts payable	\$ 83,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,170	\$			\$ 86,289
Cash overdraft	-	-	-	-	-	-	-	-	-				-
Deferred revenue	-	-	-	-	-	-	-	-	-				-
Due to the general fund	-	365,000	176,263	-	-	-	-	-	-				1,436,263
Due to other funds	-	189,400	452,036	609,613	-	-	158,159	-	-				1,409,208
Total Liabilities	83,119	554,400	628,299	609,613	-	1,053,159	-	-	3,170				2,931,760
Fund Balances													
Special revenue funds	-	-	-	-	-	-	-	-	-				-
Capital projects funds	30,513	(554,400)	(628,299)	(609,613)	208,575	(1,053,159)	20,169	1,579	364,084				(2,198,563)
Debt service fund	-	-	-	-	-	-	-	-	-				-
Total Fund Balances	30,513	(554,400)	(628,299)	(609,613)	208,575	(1,053,159)	20,169	1,579	364,084				(2,198,563)
Total Liabilities and Fund Balances	\$ 113,632	\$ -	\$ -	\$ -	\$ 208,575	\$ 21,988	\$ 20,169	\$ 1,579	\$ 367,254	\$			\$ 733,197

TOWN OF MAMMOTH LAKES
Other Governmental Funds
Combining Balance Sheet
June 30, 2011

Page 2 of 4

Special Revenue Funds:								
	LTC Planning Transportation & Transit	Drug Enforcement Fund	Pending Assessment Districts	Total Special Revenue Nonmajor Funds	Total Capital Projects Nonmajor Funds	Debt Service Fund	Total Other Governmental Funds	
Assets								
Cash and Investments	\$ (263,716)	\$ 34,528	\$ -	\$ (229,188)	\$ (298,197)	\$ 2,190	\$ -	
Account receivables (refund)	288,416	-	-	288,416	414,999	-	703,415	
Due from other funds	-	-	-	-	616,395	-	616,395	
Notes Receivable	-	-	-	-	-	-	-	
Restricted fiscal agent cash	-	-	-	-	-	206,259	206,259	
Total Assets	\$ 24,700	\$ 34,528	\$ -	\$ 59,228	\$ 733,197	\$ 208,449	\$ 1,526,069	
Liabilities								
Accounts payable	\$ 24,700	\$ -	\$ -	\$ 24,700	\$ 86,289	\$ 2,194	\$ 113,183	
Cash overdraft	-	-	-	-	-	-	525,195	
Deferred revenue	-	-	-	-	-	-	-	
Due to the general fund	-	-	-	-	1,436,263	-	1,436,263	
Due to other funds	-	-	-	-	1,409,208	-	1,409,208	
Total Liabilities	24,700	-	-	24,700	2,931,760	2,194	3,483,849	
Fund Balances								
Special revenue funds	-	34,528	-	34,528	-	-	34,528	
Capital projects funds	-	-	-	-	(2,198,563)	-	(2,198,563)	
Debt service fund	-	-	-	-	-	206,255	206,255	
Total Fund Balances	-	34,528	-	34,528	(2,198,563)	206,255	(1,957,780)	
Total Liabilities and Fund Balances	\$ 24,700	\$ 34,528	\$ -	\$ 59,228	\$ 733,197	\$ 208,449	\$ 1,526,069	

TOWN OF MAMMOTH LAKES

Other Governmental Funds

Combining Statement of Revenue, Expenditures, and Change in Fund Balances

Year Ended June 30, 2011

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	Capital Projects Funds:										Total Capital Projects Nonmajor Funds
	Capital Projects Fund	DIF Admin Overhead	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq.	DIF Airport Improvement	Public Arts Program	
Revenue											
Intergovernmental	\$ 3,009,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,009,946
Charge for services (refund)	-	2,682	1,718	10,476	4,899	13,431	30,967	5,723	1,208	3,260	74,364
Use of money and property	-	-	-	-	907	95	-	623	9	-	1,634
Total Revenue	3,009,946	2,682	1,718	10,476	5,806	13,526	30,967	6,346	1,217	3,260	3,085,944
Expenditures											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-	-
Public ways and facilities	-	-	-	-	-	-	-	-	-	23,090	23,090
Capital projects	3,114,855	7,052	-	-	-	8,244	-	200,000	-	-	3,330,151
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-
Tourism, parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	3,114,855	7,052	-	-	-	8,244	-	200,000	-	23,090	3,353,241
Excess of Revenue over (under) Expenditures	(104,909)	(4,370)	1,718	10,476	5,806	5,282	30,967	(193,654)	1,217	(19,830)	(267,297)
Other Financing Sources (Uses)											
Transfers in	113,056	-	-	-	-	-	120,885	-	-	-	233,941
Transfers (out)	(8,025)	-	-	-	-	-	-	-	(4,483)	-	(12,508)
Total Other Sources (Uses)	105,031	-	-	-	-	-	120,885	-	(4,483)	-	221,433
Change in Fund Balances	122	(4,370)	1,718	10,476	5,806	5,282	151,852	(193,654)	(3,266)	(19,830)	(45,864)
Fund Balances - beginning	30,391	(550,030)	(630,017)	(620,089)	202,769	16,706	(1,205,011)	213,823	4,845	383,914	(2,152,699)
Fund Balances - end of year	\$ 30,513	\$ (554,400)	\$ (628,299)	\$ (609,613)	\$ 208,575	\$ 21,988	\$ (1,053,159)	\$ 20,169	\$ 1,579	\$ 364,084	\$ (2,198,563)

TOWN OF MAMMOTH LAKES
Other Governmental Funds

Combining Statement of Revenue, Expenditures, and Change in Fund Balances

Year Ended June 30, 2011

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	Special Revenue Funds:				Total Special Revenue Nonmajor Funds	Total Capital Project Nonmajor Funds	Debt Service Fund	Total Other Governmental Funds
	LTC Planning & Transit	Drug Enforcement Fund	Pending Assessment Districts					
Revenue								
Intergovernmental	\$ 205,570	\$ -	\$ -	\$ 205,570	\$ 3,009,946	\$ -	\$ -	\$ 3,215,516
Charge for services (refund)	-	-	-	-	74,364	-	-	74,364
Use of money and property	-	293	-	293	1,634	28	28	1,955
Total Revenue	205,570	293	-	205,863	3,085,944	28	28	3,291,835
Expenditures								
Public safety	-	4,175	-	4,175	-	-	-	4,175
Community development	-	-	-	-	23,090	10,000	-	33,090
Public ways and facilities	-	-	37	37	-	-	-	37
Capital projects	-	-	-	-	3,330,151	-	-	3,330,151
Transportation and transit	186,378	-	-	186,378	-	-	-	186,378
Tourism and recreation	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	1,226,682	-	1,226,682
Total Expenditures	186,378	4,175	37	190,590	3,353,241	1,236,682	-	4,780,513
Excess of Revenue over (under) Expenditures	19,192	(3,882)	(37)	15,273	(267,297)	(1,236,654)	-	(1,488,678)
Other Financing Sources (Uses)								
Transfers in	3,523	-	128	3,651	233,941	1,292,682	-	1,530,274
Transfers (out)	(43,500)	-	-	(43,500)	(12,508)	(632,511)	-	(688,519)
Total Other Sources (Uses)	(39,977)	-	128	(39,849)	221,433	660,171	-	841,755
Change In Fund Balances	(20,785)	(3,882)	91	(24,576)	(45,864)	(576,483)	-	(646,923)
Fund Balances - beginning	20,785	38,410	(91)	59,104	(2,152,699)	782,738	-	(1,310,857)
Fund Balances - end of year	\$ -	\$ 34,528	\$ -	\$ 34,528	\$ (2,198,563)	\$ 206,255	\$ -	\$ (1,957,780)

TOWN OF MAMMOTH LAKES
Internal Service Funds
Combining Statement of Net Assets
June 30, 2011

Page 1 of 2

	Vehicle Service	Self- Insurance	Totals
Assets			
Cash and investments	\$ 6,463,063	\$ 76,023	\$ 6,539,086
Accounts receivable	149,038	96	149,134
Inventory	394,738	-	394,738
Due from other funds	1,275,000	-	1,275,000
Note receivable	-	-	-
Capital assets, net of depreciation	2,823,833	-	2,823,833
Total Assets	11,105,672	76,119	11,181,791
Liabilities			
Accounts payable	66,735	17,796	84,531
Accrued liabilities	36,379	821	37,200
Compensated absences	41,370	-	41,370
Capital lease obligations	-	-	-
Total Liabilities	144,484	18,617	163,101
Net Assets			
Invested in capital assets, net of related debt	2,823,833	-	2,823,833
Unrestricted	8,137,355	57,502	8,194,857
Total Net Assets	\$ 10,961,188	\$ 57,502	\$ 11,018,690